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Saturday 8 July 1978 CG NIDC 78/158C

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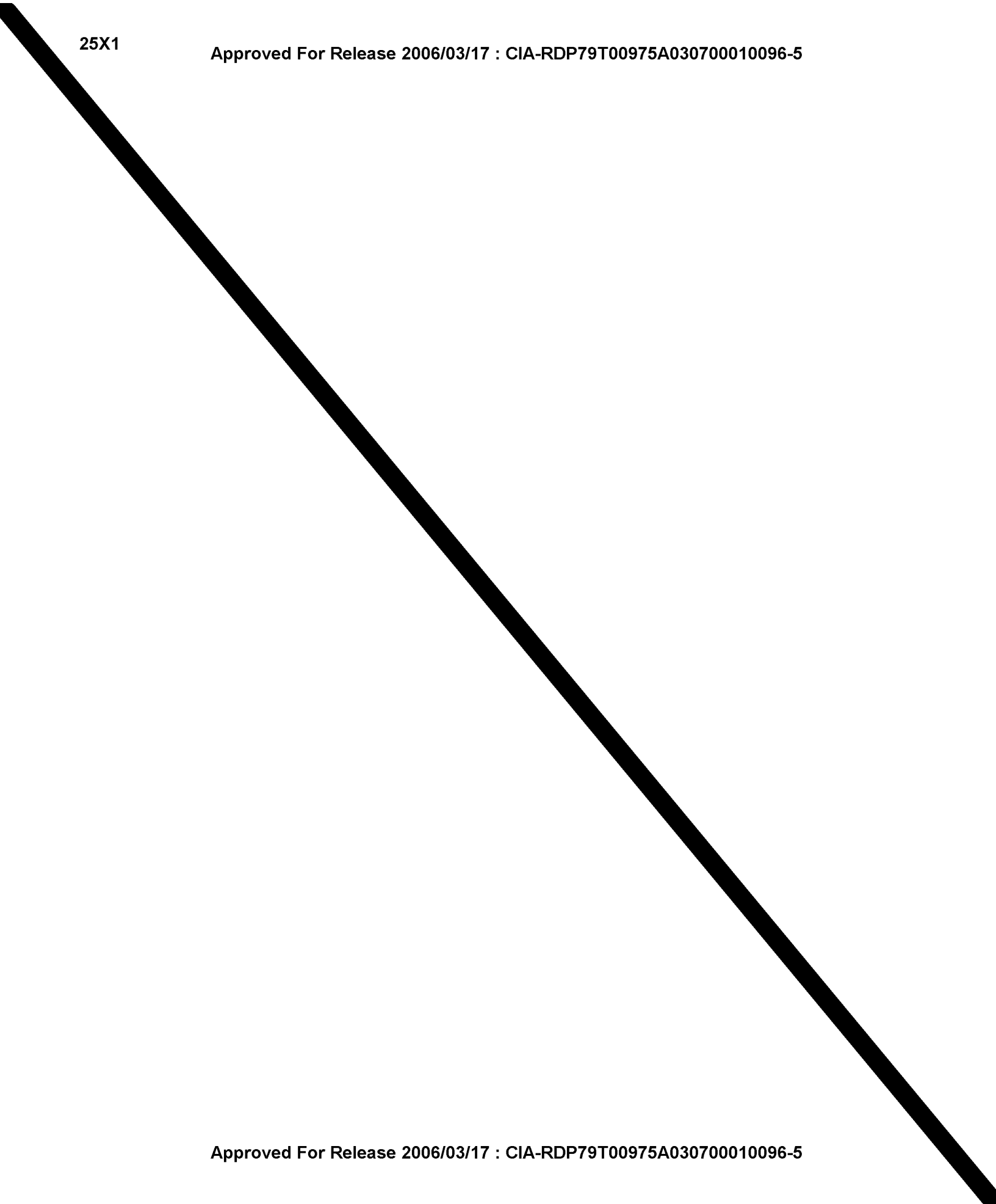

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National Intelligence Daily Cable for Saturday, 8 July 1978.

25X1 The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 *The cease-fire implemented Thursday evening in Lebanon apparently is still being observed. We expect the Syrians will continue to show restraint and work to solidify the cease-fire in talks scheduled to be held today with Lebanese Prime Minister Huss in Damascus. Both the Israeli and Syrian armed forces have taken some precautionary steps in case the situation deteriorates.*

25X1 We cannot confirm press reports that Syria has placed its forces on a war footing or that units along the Golan Heights are on alert.

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25X1 //The US defense attache in Damascus reported yesterday that military activity around the capital appeared normal. 25X1 the attache indicated that there had been no major influx of Syrian troops into Lebanon. There are signs that some units of the Defense Companies commanded by President Assad's brother Rifaat may have moved into Lebanon.//

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25X1 Israeli press accounts and sources of the UN forces in Lebanon indicate that the Israelis have taken steps to reinforce their units along the Lebanese border. We still have no indications, however, that Israeli forces have gone on alert.

25X1 Lebanese President Sarkis continues to speak of his determination to resign, although he has apparently postponed a decision for the present.

25X1 The lull in the fighting, and the expressions of support for Sarkis from virtually every part of the Lebanese political spectrum, have presumably heartened the President, and

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he probably currently feels that resignation will not be necessary. He also must be aware of the political chaos his resignation could cause, and the likelihood that no successor might be elected. We nevertheless think that he would in fact make the move if neither the Syrians nor the Christians back down.

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ISRAEL-LEBANON: Israeli Policy

25X1 *//Israeli sabre-rattling this week is designed not only to lift the Syrian siege of the Christian quarter of Beirut but to disabuse Damascus of the notion that Israel will tolerate any attempt to alter the status quo in Lebanon. Israeli leaders also know that if Christian resistance were to collapse as a result of Israeli inaction, Prime Minister Begin's government would be subject to bitter public recriminations.//*

25X1 //Israel has tailored its assistance to the Christians over the past few years specifically to frustrate Syria's efforts to extend its influence in Lebanon and to prevent the Palestinians from operating in southern Lebanon.//

25X1 //From Tel Aviv's perspective, the unstable situation of the past year suited Israeli interests far better than a Pax Syrica. As long as Syrian forces remain tied down and dispersed, the Israelis know Damascus has no military option.//

25X1 //Israeli leaders pay lip service to strengthening the Lebanese Government mainly for the benefit of the US. In practice, their support for the Christian militias in southern Lebanon and the strengthening of their relations with the Phalangist and Shamunist forces in the north weakens the government.//

25X1 //The Israelis have been operating on the assumption that Lebanon will remain divided into opposing armed camps for a long time to come, and they are not at all unhappy with the present de facto partition of the country. They do not believe that any of the other contending parties is interested in restoring a strong, independent centralized authority--unless one of them can dominate it.//

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25X1 //Despite their interest in keeping Syria off balance in Lebanon, we do not believe the Israelis are interested in underwriting the grandiose plans of some of their Christian clients to evict the Syrians. Begin and other Israeli officials probably are genuinely concerned by Christian efforts to drag them into the present crisis. We suspect that in addition to their efforts to boost Christian morale and warn the Syrians, the Israelis are urging the Christians to exercise greater restraint. 25X1

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EC: Bremen Summit Guidelines

25X1 *//Despite British Prime Minister Callaghan's public reservations, the leaders of the EC states meeting in Bremen yesterday agreed that a European monetary system is a "highly desirable objective."//*

25X1 //The UK will participate in a study, intended to culminate in October, of such a system. The broad objectives of the system were laid out by EC leaders at their two-day meeting:

-- To enlarge eventually the present "snake" arrangement to include all EC currencies.

-- To provide a transitional period for new participants that will permit wider margins of fluctuation than in the present snake.

-- To use snake currencies instead of dollars for intervention to support the snake.

-- To create a new European currency unit for settling intra-EC accounts and providing short-term credit for support operations; this currency unit will be backed by pooling a portion of snake-country reserves.

-- To permit non-EC countries to become associate members of the system.

-- To require all snake participants to coordinate their exchange rate policy toward third countries.//

25X1 //Callaghan, according to a British newspaper, was displeased over not being consulted more fully by West German Chancellor Schmidt and French President Giscard, who worked out the monetary guidelines.//

25X1 //Whether the Bremen decision will lead Schmidt to announce more stimulative measures than he had already planned is uncertain. He too will probably be looking for further bargaining at Bonn.//

25X1 //Schmidt apparently got what he hoped for from the EC meeting, but he is under no illusion that final agreement on a monetary system will be easy. The "Bremen Declaration" in fact does not commit any of the present EC members outside the existing joint currency float to join it. West German opposition leader Franz Josef Strauss yesterday again stated his opposition to a transfer of German monetary reserves to a common fund. Schmidt may, however, intend that national central banks maintain control over their contributions to the common pool.//

25X1 //The Bremen meeting may nevertheless impart some much-needed momentum to Community decisionmaking. To maintain such momentum, however, the other EC members may have to tolerate a "Bonn-Paris axis" directing EC affairs. Some of the smaller countries are not unhappy over such leadership, provided it is used to initiate movement and not to dictate policies. The Dutch still bridle at German-French bilateralism and doubtless will continue to make their objections known.//

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USSR: Supreme Soviet Results

25X1 *The Supreme Soviet of the USSR apparently made no major decisions during its meetings on Wednesday and Thursday. The Supreme Soviet, which convened after a two-day party Central Committee plenum that endorsed a continuation of President Brezhnev's long-range goals for agriculture, adopted a law on the USSR Council of Ministers and approved routine legislation on Supreme Soviet elections and treaty procedures. Soviet Foreign Minister Gromyko emphasized that the USSR abides by the provisions of the SALT Treaty and apparently sought to reassure critics in the US about Soviet intentions and behavior.*

25X1 Premier Kosygin's report on the new law affecting the Council of Ministers indicated that the council has formed a high-level commission to "solve current questions of economic growth" and to check on fulfillment of the state plan and budget. This action appears to reflect the Soviets' concern over their increasingly serious economic problems--a major topic of discussion at the Central Committee plenum last December.

25X1 Foreign Minister Gromyko, in referring to a number of specific treaties to which the USSR is a party, gave pride of place to those binding "socialist countries." Next in sequence--and presumably in importance--he mentioned the bilateral arms control agreements with the US.

25X1 Gromyko stressed that both sides recognize that they abide by all provisions of the accords limiting "both defensive and offensive strategic weapons." He also emphasized that despite the "misunderstandings" about SALT compliance issues, the permanent joint commission has not established a single instance of violation. He described those who "reproach" the USSR about its fulfillment of treaty obligations as "unscrupulous and irresponsible shouters."

25X1 These remarks seem to be aimed at US critics of the SALT II Treaty and thus, despite the testiness of Gromyko's characterization of those who express such concerns, they are probably intended as reassurances of Soviet intentions and behavior.

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25X1 Gromyko also described some international agreements as the building blocks for a "reliable international legal foundation" underlying detente. This could be taken to be an indirect rejoinder to charges the Soviets have attributed to Dr. Brzezinski that some Soviet actions are incompatible with a "code of detente."

25X1 While Gromyko concentrated on presenting a positive picture of Soviet treaty behavior, party Secretary Ponomarev attacked the Chinese for not acceding to arms control agreements. He complained about those who are reluctant to "assume any commitments" on arms control and have backed down "on commitments assumed"--charges similar to those that have been used in previous Soviet commentary to describe US behavior on
25X1 SALT.

ITALY: Probable New President

25X1 *Italy's governing Christian Democratic Party yesterday said it would support Sandro Pertini, an 81-year-old Socialist, in the electoral college balloting today for a new president.*

25X1 If the Christian Democratic decision holds, Pertini stands an excellent chance of being elected, since the Communists and Socialists had declared him acceptable in earlier balloting. Today's vote will be the 16th taken since the electoral college, which consists mostly of members of parliament, convened on 29 June.

25X1 The contest has been deadlocked since then, as different political leaders have tried to put together inter-party deals that would either enhance or diminish the Communist Party's role in the governing process. The election of Pertini, instead of a more active or better known politician, would be a compromise aimed at minimizing the contest's political impact on the current governing arrangement, under which the Communists, Socialists, and three other parties provide parliamentary support for Prime Minister Andreotti's Christian Democratic government.

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25X1 Pertini's election also would avoid touching off a leadership struggle in any of the parties, since he does not currently hold a sensitive party position. This has been one of the problems associated with some of the other candidacies, such as that of Christian Democratic chief Zaccagnini. 25X1

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BRIEFS

USSR-US-PRC

25X1 *Red Star*, the Soviet Defense Ministry's newspaper, on Wednesday criticized the US decision to send a scientific mission to China. According to the article, the US is using the "Chinese card" against the USSR and basing its ties with China on shared anti-Soviet sentiments. The article was the third in a week on the US mission to China. *Pravda* ran pieces 29 June and 1 July. *Red Star* was considerably harsher and focused more on the alleged military purposes of the mission than *Pravda* did. It asserted that the US was providing the Chinese with access to Western military technology under the guise of "scientific contacts." 25X1

Chad

25X1 The latest round of peace talks in Tripoli between Chadian officials and antigovernment rebels and their Libyan patrons broke down Thursday without reaching a new accord. The major point of disagreement was the insistence by the rebels and the Libyans that any new peace agreement contain a specific timetable for the withdrawal of French troops from Chad. Chadian Foreign Minister Kamougue blamed the insurgents for the failure of the talks. He attempted to deflect rebel criticism of the presence of French troops in Chad by renewing charges that Libyan and other foreign forces are in Chad supporting the rebels.

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25X1 If Libyan President Qadhafi does not make a last-minute effort to revive the negotiations, new attacks by the rebels can be expected soon in northern Chad.

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